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Anguilla

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I. Background information

A. Geography

1. Anguilla lies 240 kilometres east of Puerto Rico, 113 kilometres north-west of Saint Kitts and Nevis and 8 kilometres north of St. Maarten/St. Martin. The Territory has a relatively flat topography, a total area of 96 square kilometres and includes several offshore islets. The main island has a maximum length of 26 kilometres and a maximum width of 5 kilometres. The capital of Anguilla is The Valley, where 42 per cent of the population resides.

B. History

2. Originally inhabited by the Arawaks, Anguilla was first colonized by British settlers in 1650. For administrative purposes, it was associated with Saint Kitts and Nevis from 1871 to 1980. Following the dissolution of the Federation of the West Indies in 1962, Saint Kitts-Nevis-Anguilla became a State in association with the United Kingdom of Great Britain and Northern Ireland. In 1967, the Anguillan people staged a number of demonstrations to demand secession from Saint Kitts and Nevis. In the referendum held in July 1967, the vote was 1,813 to 5 in favour of independence. As a result, the legal ties to Saint Kitts were severed. Demonstrations and protracted negotiations were followed by the intervention of British security forces in 1969 and the Anguilla Act of 1971, whereby the United Kingdom reassumed direct responsibility for the administration of the Territory, appointed a Commissioner and provided for the establishment of an Island Council. A separate Constitution came into effect in February 1976. In 1980, the Territory formally withdrew from the Associated State of Saint Kitts-Nevis-Anguilla and became a separate dependency (now Overseas Territory) of the United Kingdom.

3. In 1981 further constitutional talks between the Governments of Anguilla and the United Kingdom were held. The Chief Minister of Anguilla recommended that a new constitution, while not providing for a full measure of internal self-government, should nevertheless grant a substantial degree of additional local responsibility to the Government of Anguilla. The Anguilla House of Assembly approved the changes and the United Kingdom enabled the Anguilla (Constitution) Order to come into force on 1 April 1982. An outline of the Order is provided in the report of the United Nations visiting mission to Anguilla of 1984 (see A/AC.109/799, paras. 19-27). After the general election of 1984, the newly elected Government appealed for wider powers for the Executive Council, as well as for more aid and investment in the Territory's economy and infrastructure from the United Kingdom.

4. The latest Anguilla Constitution (Amendment) Order was adopted in 1990. The current Constitution evolved from the 1976 and the 1982 Constitution Orders and is the fourth Constitution that applies solely to Anguilla.

C. Population

5. The latest census was conducted on 9 May 2001. According to the preliminary census estimate, Anguilla's resident population (people who normally reside in Anguilla for at least six months of the year) is 11,300. It is estimated provisionally that 5,570 of these residents are male and 5,730 female, and that 8,130 are adults (15 years and older) and 3,170 children. The de jure population increased over the nine-year period from 1992 to 2001 by 22 per cent, or an average annual rate of about 2 per cent. The de facto population in Anguilla on the night of 9 May 2001 is estimated to have been 11,960, which includes 644 persons who were staying in hotels or on boats on census night and 152 who were visiting from other countries and staying in private homes, but excludes 172 who usually reside in Anguilla but were temporarily absent.[1] There are several thousand Anguillans living abroad, particularly in the United States of America, the United Kingdom and the United States Virgin Islands.

II. Constitutional, legal and political issues

A. Constitutional structure

6. According to the Anguilla (Constitution) Order 1982, the Government of Anguilla consists of a Governor, an Executive Council and a House of Assembly. The Governor, who is appointed by the Queen, is responsible for defence, external affairs,

internal security, public services and offshore finance. On all other matters, the Governor is required to consult with and act on the advice of the Executive Council. The Executive Council consists of the Governor as Chairman, the Chief Minister, not more than three other ministers and two ex officio members (the Attorney General and the Deputy Governor). The House of Assembly is elected for five-year terms. It comprises a Speaker, seven members elected from single-member constituencies, the same two ex officio members as in the Executive Council and two members nominated by the Governor, one of whom is appointed after consultation with the Chief Minister and the leader of the opposition.

7. The powers of the Governor are considerable. He holds executive power to override the decisions of the Executive Council, with the approval of the Secretary of State. He appoints the ministers, the nominated members of the House of Assembly and the Parliamentary Secretary, who may be selected from among the elected or nominated members of the Assembly. The Governor presides over the Executive Council.

8. In May 1997 Governor Robert Harris assumed office. It was proposed that the reserve powers be reintroduced, whereby the Governor (with the consent of the British Government) could amend, veto or introduce legislation. This proposal provoked accusations that the United Kingdom hoped to create a situation in which its dependent Territories would be forced to seek independence. The British Government, however, maintained that the initiative had been prompted largely by a desire to secure Anguilla's financial services sector from exploitation by criminal organizations, particularly drug traffickers.[2]

9. In March 1999 the Government of the United Kingdom issued a White Paper on the relationship between the United Kingdom and its Overseas Territories, entitled "Partnership for progress and prosperity: Britain and the Overseas Territories" (for the text, see A/AC.109/1999/1 and Corr.1, annex). Proposals included the requirement that Constitutions of Overseas Territories be revised in order to conform to British and international standards. The process of revising the Anguillan Constitution began in September 1999. According to some critics, the "high degree of autonomy" mentioned in the White Paper is in fact restricted and limited. The limitations became evident in connection with an Order in Council to legalize homosexuality in Anguilla and other Territories, against the wishes expressed by the people and despite their protests.[3]

10. In July 2001 Anguilla's Government appointed a committee to review its Constitution and weigh proposed revisions that would, for example, provide for more local power and eliminate appointed positions in the legislature. The committee is in the first instance a think tank that will examine the various subjects and suggest options for change.

11. At present the Governor of Anguilla is Peter Johnston, appointed in February 2000.

B. Legal system

12. The law of Anguilla is the common law of the United Kingdom, together with all legislation inherited from the former Associated State of Saint Kitts-Nevis-Anguilla up to August 1971 and the local legislation enacted since that date. The law is administered by the Eastern Caribbean Supreme Court, which comprises a Court of Appeal and a High Court of Justice, courts of summary jurisdiction and magistrate courts. The Chief Justice of the Eastern Caribbean Supreme Court has announced the introduction of new initiatives to improve the functioning of the courts in the subregion, which includes Anguilla. These initiatives include the revision of the Supreme Court rules, case management, the need for court reporting throughout the subregion, computerization, unification of the Family Court, and the need for judicial reform and judicial education. According to press reports, the Anguilla Bar Association agrees in principle with the pursuit of a Caribbean Court of Justice to replace the British Privy Council as the legal redress of last resort, but it has reservations about full implementation. In 1991 the British Government abolished capital punishment for the crime of murder in Anguilla, as well as in several other British Dependent Territories.[2]

13. A number of legislative acts have been adopted in order to improve the regulation of the financial sector of Anguilla's economy, including the Proceeds of Criminal Conduct Act 2000, the Money Laundering Reporting Authority Act 2000, the Anti-Money Laundering Regulations 2000 and the Guidance Notes on the Prevention of Money Laundering.

C. Political parties and elections

14. As reported in the 2000 working paper (see A/AC.109/2000/15, para. 8), constitutional deadlock in 1999 led to a political crisis that was finally resolved by elections in March 2000. These elections brought to power a coalition formed by the Anguilla National Alliance and the Anguilla Democratic Party and led by Chief Minister Osbourne Fleming of the Anguilla National Alliance. This coalition, known as the United Front, was maintained throughout the review period. The next elections are due before June 2005.

D. Political issues

15. In the light of the administering Power's White Paper on the Overseas Territories released in March 1999 (see para. 9 above), which called for a modernization of the relationship between the United Kingdom and each of its Overseas Territories, discussions were held between representatives of the Governments of the United Kingdom and Anguilla on 15 and 16 June 2000. As a result of those discussions, the two Governments agreed on a series of strategic objectives to promote economic and social development and democratic and accountable Government. These were embodied in a three-year strategic country programme, for 2000-2003, by which the Government of Anguilla undertook to implement a plan of action for economic and social development whose provisions included the expansion of public infrastructure, environmental management and improving public services. The Government of the United Kingdom agreed to assist in the implementation of the programme by providing £2.25 million in 2000/01, £1.7 million in 2001/02 and £1.5 million in 2002/03.

16. One aspect of both the White Paper and the strategic country programme was the requirement that Anguilla review its Constitution to ensure that it conformed to the United Kingdom's international obligations, particularly with regard to human rights and financial regulations. In December 2000 the Government of Anguilla decided to establish a Constitutional Review Committee, which decided on a two-stage review process. In the first phase, lasting from January to December 2001, information would be solicited from the general public, academics, international organizations and other Overseas Territories, with a view to assembling elements of a new Constitution that would reflect the ideas of the Territory's population and would be responsive to an increasingly globalized and technological environment. In the second phase, lasting from January to December 2002, recommendations from the consultations held in the first phase would be published, a popular vote would be held on the main elements of the Constitution, and drafting of the Constitution would be completed.

17. The Chairman of the Constitutional Review Committee requested the assistance of the United Nations Development Programme (UNDP) in providing information on, inter alia, the following themes: the role of the State in economy and society; sovereignty in the context of "globalized" decision-making; cooperative governance arrangements; appropriate constitutional forms for small States; methods of phasing in new constitutional arrangements; the rights, duties and responsibilities of peoples; the promotion of civil society; and the development of institutions for popular participation in decision-making.

III. Budget

18. According to the 2002 budget address of the Minister of Finance, problems experienced by the Territory in recent years provide further proof that the economy of Anguilla is strongly influenced by factors beyond its control. On the one hand, it is integrated into the global economy, and is thus dependent on the economic situation in other countries, mainly the United States, the United Kingdom and other European countries. On the other hand, the whole economy is vulnerable to natural disasters. The estimates for the 2001 budget had been made in expectation of considerable growth. However, as the United States economy showed signs of recession, Anguilla had to lower its expectations for economic performance in 2001. The impact of the terrorist attacks of 11 September made the situation much worse. The Minister underlined that 2002 would present a significant challenge to the Government and the people of Anguilla.

19. The total proposed expenditure for the Territory in 2002 is EC$ 101.68 million (the Territory uses the East Caribbean dollar, which is fixed at an exchange rate of US$ 1 = EC$ 2.7). Recurrent expenditure

accounts for EC$ 95.68 million, and capital expenditure for EC$ 6 million. This represents an increase of $6.49 million, or 7.27 per cent, over recurrent expenditure in 2001. Most of the increase will go to the Treasury ($3.57 million), mainly for debt servicing in anticipation of increased borrowing to finance a sizeable accumulated deficit. Additionally, significant increases are estimated for the Education Department ($1.42 million) and the Water Department ($881,430). Estimates have been reduced for some ministries and departments, including Public Administration, the Chief Minister's Office, the Ministry of Home Affairs, Customs, Community Development, Welfare/Social Development and Infrastructure, Communications and Utilities.

20. At the same time, the growing need to improve the social and economic structure of the Anguillan community and economy, as well as to rely more on the Territory's own resources, in accordance with the strategic country programme (see para. 15) requires the Government to commit some portion of capital expenditure for these purposes. Provision has been made to contribute $6 million from Government revenue to essential capital projects in 2002. These include projects in the areas of health and infrastructure, as well as improvements to the Treasury and the Land and Survey Department.

21. The Government's overall capital budget is complemented by grants from overseas and domestic non-governmental sources. The estimates for externally funded capital programmes amount to more than $25 million, to be divided among 30 projects that range from multi-million dollar road projects to small, $20,000 projects. In particular, $9.04 million of this amount will be provided in the form of approved British development aid grants for ongoing projects. A grant of $5.43 million from the European Development Fund will be used for the construction of a road from Blowing Point to Little Harbour.[4]

22. The estimated revenue for 2002 is EC$ 95.84 million. The largest single source of revenue will be customs duties, estimated at $40.20 million, or 42 per cent of total recurrent revenue. Although the customs duties revenue estimate for 2001 has been reduced to $34.27 million because of the sluggish performance of the economy, increases have been forecast for such categories as Import Duty Oil and Gas and Import Duty Other. In the case of Import Duty Oil and Gas, an increase of $2 million, to $7.5 million, is forecast for 2002. Sixty per cent, or $1.2 million, of the increase will come from the collection of duties on diesel sold to the Anguilla Electric Company (Anglec) at $0.40 per gallon. (Anglec has enjoyed duty-free concessions since its establishment in 1991. It is expected to be able to absorb the increase in its costs owing to favourable world oil prices.)

23. Revenue in the Import Duty Other category is estimated at $30 million, an increase of $4 million over 2001. A significant portion of the increase is expected to result from the liberalization of telecommunications and the issuance of a new operating license to the United Kingdom telecommunications company Cable and Wireless, under which the company will no longer enjoy duty-free status for imports used in its operations. Another source of revenue is collection of taxes and fees. An increase in the accommodation tax rate from 8 per cent to 10 per cent took effect in October 2001 and is estimated to bring in $8 million. According to the Minister of Finance, this tax had been under-collected by 20 to 25 per cent over the years, and the problem will be addressed in 2002. The embarkment tax for 2002 is estimated to show a modest increase, from $2.2 million to $2.5 million. As the Government remains committed to implementing the Wallblake Airport Expansion Project, it has decided to further increase the embarkment tax in the near future and bring it to $54 (US$ 20) per person. All of the revenue raised from the increase will be placed into a special Airport Project Fund.

24. Revenue from water charges has been projected at $7 million, which is a rather large increase — $4.5 million — over 2001 revenue. This positive estimate is based on the improvements undertaken by the Water Department, such as the installation of a more efficient billing system and the continuing replacement of iron pipes.

25. Since the commissioning of the Anguilla Commercial Online Registration Network, revenue from the Financial Service Department has been growing at an average annual rate of 30 per cent and is expected to increase by $4 million in 2002. The Government intends to continue its focused marketing efforts to expand the financial services sector of the economy.

26. With respect to the trans-shipment trade (see A/AC.109/2000/15, para. 15, and A/AC.109/2001/13, para.16), the Minister of Finance reported that the

trans-shipment clause had been favourably modified in the new European Union — Overseas Territories and Countries Decision, which was due to become law early in fiscal year 2002. The modified principles and procedures should not cause disputes or interruptions in the trans-shipment trade, as occurred in 1999; however, limits are likely to be placed on the volume of trade. Because the paperwork and negotiations might take a considerable time, no estimates for revenue from this source have been included in the 2002 budget.

IV. Economy

A. General

27. As reported in the previous working paper (A/AC.109/2001/13), after a decade of rapid growth, the economy of Anguilla slowed in 2000 as a result of natural disasters. In particular, hurricane Lenny, which hit at the end of 1999, inflicted US$ 62 million worth of damage. The GDP in 2000 was 3 per cent less than the 5.4 per cent annual average for the previous decade. Although the economy showed signs of recovery by 2001, the economic slowdown in the United States and the downturn in tourism after the terrorist attacks of 11 September had a severe negative impact on the performance of Anguilla's economy. In his 2002 budget address, the Minister of Finance projected that the economy in 2001 would at best show zero growth, or at worst show a second year of decline.

28. The sharp drop in the number of tourists has resulted in an economic contraction and, as a consequence, a decline in government revenues, at least in the short term. In addition to tourism, another substantial source of revenue for Anguilla is remittances sent back to the Territory by several thousand Anguillans working abroad, mostly in the United States, the United Kingdom and the United States Virgin Islands. Such income naturally falls when recession hits those countries' economies. Thus, the slowdown in remittance flows has placed additional pressure on the economy.[5]

29. In recent years the share of Government services in the economy has grown considerably; those services have become the third highest contributor to GDP. Although the 2001 budget projected an increase in government revenue from a number of sources, actual revenue has fallen significantly short of the projections in almost all cases. As a result, government services faced a stringent financial situation in 2001. The intention to issue and sell to the public the Government's shares of Anglec (see A/AC.109/2001/13, para. 20), which could have brought in some $6 million in revenue, has not been realized. The Government promised to implement the sale in 2002. Considerable shortfalls have also been experienced from such sources of revenue as water rates and sales of water and domain name registration. Water rates revenue is expected to fall some $4.6 million short of the target of $7.5 million for the year. Domain name registration, for which $4 million was budgeted in 2001, is expected to miss its target by $3.9 million (see also paras. 47 and 54 below).

30. In 1999 Anguilla recorded a merchandise trade deficit of EC$ 210.47 million, and the deficit in the current account of the balance of payments is EC$ 140.38 million. The principal sources of imports are the United States and Puerto Rico, Trinidad and Tobago, and the countries of the European Union, mainly the United Kingdom. Imports, upon which Anguilla is highly dependent, consist largely of foodstuffs, construction materials, manufactured goods, and machinery and transport equipment. The principal markets for exports are the United States Virgin Islands, Puerto Rico and St. Maarten/St. Martin. The main export commodities are lobsters, fish, livestock and salt. In 2000 a provisional current budgetary deficit of EC$ 5.8 million was recorded. The external public debt totalled an estimated US$ 9.5 million.[2]

31. The Government of Anguilla is constrained by its status as a British Overseas Territory from borrowing freely on the money markets. According to the 2002 budget address, the Government intends to develop a medium-term financing strategy, including a borrowing strategy on a priority basis, particularly because steps need to be taken to deal with the fiscal deficit.

32. The problems faced by the economy of Anguilla during the past year, leading to reduced economic growth, presented significant challenges to the Government in the implementation of the strategic country programme for 2000-2003. Under this programme the Government of Anguilla agreed that it was necessary to diversify the economy so as to reduce its vulnerability to external shocks. In particular, three objectives were delineated: to encourage the growth of new industries and business activities; to maximize tourist industry benefits, in part by encouraging local

ownership of tourist-related businesses and the creation of local employment; and to promote equitable and "pro-poor" economic growth to ensure that economically marginalized groups were actively targeted.

B. Economic sectors

1. Agriculture and fishery

33. Agricultural activity in Anguilla is extremely limited by a combination of factors, including poor soil, the small amount of arable land and irregular rainfall. Notwithstanding the dry conditions and unpredictable rainfall patterns prevailing in Anguilla, agriculture continues to play an important part in the livelihood of the local people and typically contributes between 3 and 4 per cent of GDP.

34. Recent agricultural initiatives include the expansion of the drip irrigation system, the promotion of commercial fruit production, horticultural development and backyard gardening. The principal crops are pigeon peas, sweet potatoes and maize. Other activities have centred on the commercial development of poultry farming, rabbit production and bee-keeping. New techniques in livestock production and fodder conservation are being developed.

35. Agriculture and fishing contributed 2.7 per cent to GDP in 1999 and engaged 4.2 per cent of the employed labour force. According to the Eastern Caribbean Central Bank, agricultural GDP increased by an annual average of 0.2 per cent from 1993 to 1999 and by 7.2 per cent in 1998. Production, however, fell by 11 per cent in 1999, mainly as a result of the devastation caused by hurricane Lenny.[2]

36. During the 1980s Anguilla's traditional industries — boatbuilding, fishing, salt production and livestock rearing — gave way to the controlled development of tourism, along with its associated construction and service sectors, and the establishment of a relatively small offshore banking sector. The island achieved some of the Caribbean region's highest growth rates during that decade.[5]

2. Industry/manufacturing

37. Industry, including mining, manufacturing, construction and power, accounted for 21.1 per cent of GDP in 1999 and engaged 23.7 per cent of the employed labour force. According to the Eastern Caribbean Central Bank, industrial GDP increased by an annual average of 8.6 per cent from 1993 to 1999 and by 8.5 per cent in 1998. In 1999 growth in industrial GDP increased sharply, by 20.3 per cent, primarily owing to increased construction activity.[2]

38. Growth in the construction industry remained relatively high, owing mostly to the reconstruction and rebuilding of property damaged by the hurricanes in 1998 and 1999. According to the Eastern Caribbean Central Bank, GDP in the construction sector increased by 21.2 per cent in 1999, compared to an 8.9 per cent annual average over the preceding six years. The construction industry accounted for 15.3 per cent of GDP in 1999.[2]

39. According to the preliminary census estimate, the total number of buildings in Anguilla is 5,636, of which 3,834 are occupied residential buildings. In addition, there are some 800 vacant or closed residential buildings.[6]

40. The small mining and manufacturing sector comprises salt production, building-block manufacturing and shipbuilding. The mining and quarrying sector contributed only 0.9 per cent of GDP in 1999 and engaged only 0.2 per cent of the working population. Boatbuilding and fish processing accounted for 1.2 per cent of GDP in 1999. The mining and quarrying sector grew by 9.3 per cent in 1999. Total growth in manufacturing GDP reached 59.9 per cent, owing largely to the commencement of building-block manufacturing in 1999.

3. Tourism

41. Tourism continues to dominate the Anguillan economy. It is directly responsible for one third of Anguilla's GDP and generates more than 50 per cent of the jobs in the Territory. In 1999 the hotel and restaurant sector contributed 27.3 per cent of GDP, and tourist expenditure totalled EC$ 154.23 million. In 2000 stopover tourism accounted for 43,789 visitors, down 6.5 per cent from 1999. According to the Caribbean Tourism Organization, from January until March 2001 there were 15,650 arrivals.[7] More than 50 per cent of all tourists come to Anguilla from the United States, and 22 per cent come from Europe, mainly Italy, the United Kingdom and Germany.[2]

42. In 2001 the tourist industry, which was still recovering from the natural disasters of the previous

two years, suffered immediate and severe consequences of the attacks of 11 September. As a result of holiday cancellations and the decline in the number of tourists from the United States, hotels had to lay off workers, and business slowed down dramatically for restaurants, taxis and shops. Owing to the attraction of special deals and cheaper air fares, tourism from Europe was affected to a lesser extent.

4. Finance

43. Anguilla has a small but rapidly expanding international finance sector, specializing in trust and company registration, which brings in about 13 per cent of the Territory's GDP. Anguilla entered the field of financial services relatively late, the key legislation having been passed in 1994. There are no income, estate or capital gains taxes. Nor are there any exchange controls, and although the official currency is the Eastern Caribbean dollar the United States dollar is commonly used.

44. According to Oxford Analytica, because of their late establishment, Anguilla's financial services largely meet current international standards. Nevertheless, in June 2000 the Organisation for Economic Cooperation and Development (OECD) listed Anguilla as one of 35 jurisdictions whose tax regimes were potentially harmful to the rest of the world (see A/AC.109/2001/13, paras. 31-35). In October 2000 a report on Anguilla's financial sector issued by the consulting firm KPMG stated that Anguilla had many of the features necessary to be considered a well-regulated jurisdiction. The report made a number of recommendations aimed at improving Anguilla's regulatory environment. Among them were the establishment of independent regulatory authorities, the introduction of investigative powers to assist inquiries by overseas regulators and the establishment of comprehensive anti-money-laundering frameworks.

45. Some of the jurisdictions on the OECD list have already declared their commitment to comply with requirements and have been removed from the list. According to the latest OECD report, in the light of the better understanding of mutual concerns achieved between OECD members and the jurisdictions on the list, and of continuing discussions on the conclusion of commitments, the deadline for making such commitments was extended to 28 February 2002.[8]

46. In November 2001 the United Kingdom Economic Secretary to the Treasury welcomed the fact that all Overseas Territories had comprehensive anti-money-laundering frameworks fully in place and noted that in the case of Anguilla, legislation was in hand that would allow regulatory cooperation. Concerning the establishment of independent regulatory authorities, the Economic Secretary considered that the development of legislation in Anguilla was at an advanced stage.[9] Further to the Drug Trafficking Offences Act 1988, the following legislation was adopted in 2000: the Proceeds of Criminal Conduct Act, the Money Laundering Reporting Authority Act, the Anti-Money Laundering Regulations and the Guidance Notes on the Prevention of Money Laundering.

47. The Government continued to focus on the development of Internet-based commerce. The Domain Name Registry Project commenced operations in September 2001. Owing to discouraging global economic prospects, the projections for revenue from this source had to be revised downwards, but significant results are expected in 2002. The Government is planning to further expand and diversify financial services. In 2002 it will concentrate on the completion of the e-commerce policy framework, establishing a Financial Services Regulatory Commission and the commercialization of the Anguilla Commercial Online Registration Network technology, which allows entrepreneurs to register a company online within 10 minutes (other Caribbean jurisdictions take at least a full day).

C. Transport and communications

1. Roadways

48. According to 1998 estimates, Anguilla has a total of 279 kilometres of motorable roads, of which 253 are paved. The continuation of the Government's road improvement programme was the second priority of the capital budget (after development of the airport). In 2000 the Government spent EC$ 5 million on roads, most of it financed by the National Bank of Anguilla and the Caribbean Commercial Bank. In its 2001 budget the Government committed EC$ 15 million to road improvement. Of this, $10 million would come from a loan from the Caribbean Development Bank and $5 million from European Development Fund grants.

49. The 2002 budget includes plans for the utilization of EC$ 6 million for the construction of a new road from Blowing Point to Little Harbour, as well as of $5 million

out of a total of $10 million allotted for the continuation of the Hurricane Lenny Road Rehabilitation Project, funded by a Caribbean Development Bank loan; the remaining work is to be completed in 2003.

2. Seaports

50. Anguilla has two ports, one at Blowing Point and the other at Road Bay. In December 1998 Anguilla had five ships registered with Lloyd's of London, with a total displacement of 1,387 tons.[2] In its 2001 budget the Government proposed transforming the Seaport Department into a corporate entity with a view to long-term sustainable and autonomous funding.

3. Airports

51. Anguilla has three airports, two of which are unpaved and have runways less than 1,000 metres long. The main airport, Wallblake, is paved and has a runway of 1,100 metres. As there are no refuelling facilities, aeroplanes can land only when carrying enough fuel to return, limiting the loads they may carry. The Government's top capital expenditure priority in 2001 is the acquisition of land near the airport in order to begin expanding it in 2002. Despite financial difficulties, the Government remains committed to implementing the Wallblake Airport Expansion Project. It is projected that more than $20 million in local capital alone will be spent to move the project forward. An additional $3 million will be spent on the preparation of technical documentation for further development, corporatization or commercialization of the airport (see para. 21).

4. Communications

52. Anguilla has a modern internal telephone system and a microwave relay to St. Maarten/St. Martin for international calls. The system is operated under a monopoly by Cable and Wireless, which has a number of Caribbean franchises. According to the Government's budget, in 1999 the communications sector accounted for 11.9 per cent of real GDP, an increase of 9.4 per cent over 1998. The increase was attributed to the continued expansion of telecommunications and cable television companies.

53. Among measures to improve the economic situation in the Territory, the Government proposed the liberalization of the telecommunications sector. The Ministry of Infrastructure, Communications and Utilities produced a telecommunications policy document and a timetable for phased liberalization, to be implemented from 2001 to January 2003. These plans have been criticized by the former Chief Minister, who fears that the ongoing liberalization of the telecommunications sector in Anguilla could have negative effects on the economy and the society in general, such as loss of jobs.[10]

D. Water system, sanitation system and utilities

54. In general, the Government committed itself, in the strategic country programme formulated with the administering Power (see para. 15), to improving the quality of its public utilities infrastructure (see A/AC.109/2001/13, para. 40). As was reported in 2001, the Government expected to increase water revenue from $3 million to $7.5 million. A substantial part of this increase was expected to derive from an agreement signed with Ionics-Aqua Design to increase its sales to the Government from 500,000 gallons to 750,000 gallons daily in 2001. The actual gain was supposed to come with the simultaneous improvement of water infrastructure, mainly replacement of pipes, and the introduction of a comprehensive billing system that would have compensated for the Government's expenditure for purchasing and delivering water. Regrettably, the realization of the project did not go smoothly. According to the Minister of Finance, the situation in terms of water rates and sales of water is grave. Water Department expenditure has traditionally exceeded revenue by more than 300 per cent. When the contract with Ionics-Aqua Design came into effect, the financial situation changed radically for the worse. Under the contract, the Government was obliged to purchase specified quantities of water. At the same time, the billing system was not implemented and the replacement of pipes was not carried out. As a result, there was an almost six fold increase in the annual deficit relating to direct revenue from water (see para. 29 above).

V. Social conditions

A. General

55. Living standards and social indicators in Anguilla compare favourably with those of other countries in the region. The literacy rate is 95 per cent, life expectancy is 76 years (73 for men and 79 for women) and the infant mortality rate is 25 deaths per 1,000 live births.[11]

56. Anguilla has had a social security scheme since 1982. In the 2001 budget the Government announced plans to establish a permanent programme within the Social Security Board to assist the elderly and other economically deprived groups. In 2002 the Minister of Finance reported that the British Government had provided assistance for initial studies and was funding the Country Poverty Assessment Project. The results of these undertakings will determine the extent of further assistance to vulnerable social groups.

B. Labour

57. According to the most recent census, in 1992 the economically active population in Anguilla (persons aged 14 years and over) numbered 4,446 (2,553 males and 1,893 females). At that time, 35 per cent worked in tourism, 23.5 per cent in community, social and personal services, 18 per cent in construction and 5.2 per cent in financing and insurance. Unemployment was 7 per cent.[12]

C. Education

58. Education is free and compulsory between the ages of 5 and 14. There are six government primary schools and one government secondary school, the Albena Lake-Hodge Comprehensive. As part of the government policy to enable Anguilla to meet both its present and future needs, the problem of overcrowding is being addressed by the construction of another campus, as well as the implementation of curriculum reforms.

59. According to the Minister of Finance, in 2002 the Government will focus on planning for the rehabilitation and upgrading of the facilities of the Albena Lake-Hodge Comprehensive secondary school and the expansion of educational service delivery to include tertiary-level programmes, especially in tourism and technical and commercial occupations and subjects. The Government also intends to develop plans for adult and continuing education and to hold initial discussions on the need for a community college.

D. Public health

60. The economic problems of 2001 and the non-realization of revenue have affected the projections for 2002. The Government remains committed to providing primary health care for all Anguillans. Its health priorities in 2001 included the conversion of the Princess Alexandra Hospital to a statutory health authority; the strengthening of the Primary Health Care Department; the expansion of mental health and psychiatric services; the development of the Environmental Health Section of the Primary Health Care Department; and the improvement of the coverage and quality of solid-waste disposal services. In 2002 the Government plans to transform the Primary and Secondary Health Departments into a Health Authority. Among the priorities will be the expansion of the Water Laboratory, the completion of the maternity suite at the Princess Alexandra Hospital and the completion of the dialysis facility.

61. In June 2001 the Centers for Disease Control and Prevention (CDC) announced plans to expand its Global AIDS Program to address the HIV/AIDS epidemic in the Caribbean and Latin America, where HIV rates are the highest in the world outside Africa. One in 50 persons in the Caribbean is infected. CDC will work in partnership with the Caribbean Epidemiology Centre to assist with HIV prevention efforts throughout the Caribbean. Combating the epidemic in the region requires a strong focus on prevention and access to high-quality, humane care and treatment and the preservation of the dignity of those infected and living with HIV/AIDS.[13]

E. Immigration

62. Anguilla's rapid economic development, over the past decade in particular, has created a demand for labour from outside the island. In 2000 the net migration rate was 19.75 migrants per 1,000 inhabitants. Immigration was regulated according to Anguilla's Immigration and Passport Ordinance and its Control of Employment Ordinance, both enacted in 1980. According to the latter, work permits cannot be granted for more than four years, except in cases where the skills of the person involved are considered critical to the development of Anguilla. The Ministry of Home Affairs, which governs the Immigration and Labour Department, suspects that a number of expatriate workers have remained on the island illegally, beyond the expiration of their work permits. According to the Ministry's 2001 policy, those who are illegally residing on the island may be favourably considered for permits of permanent residence if they have been continuously resident in Anguilla for at least 10 years and if they have submitted an application for permanent residence by 31 December 2001.

63. The Department also noted the need to harmonize its immigration policy with the British Nationality Act of 1981 and the European Convention on Nationality, particularly with respect to residence without immigration restrictions, statelessness and basic human rights relating to residence status. In order to better manage its immigration policy, the Government proposed in its 2001 budget the restructuring of the Immigration and Labour Department as two separate departments within the Ministry of Home Affairs.

64. In accordance with its intentions announced in the White Paper on the Overseas Territories, the United Kingdom Government offered British citizenship, along with the right of abode, to qualified residents of the Overseas Territories. Originally, the administering Power had suggested that citizenship and right of abode should be reciprocal between the Overseas Territories and the United Kingdom, but ultimately agreed to drop reciprocity, acknowledging that the size of the Territories and their populations would not allow an influx of possibly large numbers of outsiders. People who take advantage of the new status will gain the right to travel freely throughout the European Union.[14]

65. In July 2001 the British Overseas Territories Bill had its second reading in the British Parliament. According to the bill, citizens of British Overseas Territories will automatically become British citizens, meaning they will not have to apply for citizenship, although they will have to apply for a British passport in order to have documentary evidence of their new status and to facilitate travel.

F. Human rights and related issues

66. The Territory is subject to certain major human rights conventions that were acceded to by the administering Power. These include the International Convention on the Elimination of All Forms of Racial Discrimination and the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment.

67. Human rights issues in the Overseas Territories were addressed by the administering Power in the White Paper (see para. 9 above). With respect to the possibility of reforming current legislation banning homosexual acts, the former Chief Minister of Anguilla expressed his opposition to initiating a bill to such effect in the Anguilla House of Assembly.

68. In December 2000 the United Kingdom Privy Council amended the laws of all British Caribbean Overseas Territories to decriminalize private homosexual acts between consenting adults. This action was taken after Governments of Overseas Territories informed the United Kingdom that they would not reform their own legislation on the question.[15]

G. Crime

69. The crime rate in Anguilla is relatively low by regional standards. According to an international narcotics control strategy report on the Caribbean issued by the United States Department of State in March 1999, the British Overseas Territories in the Caribbean generally are not significant drug-producing locations, but Anguilla's geographical position makes it a prime trans-shipment route, particularly vulnerable to airdrops of cocaine in the surrounding seas and offshore islands. However, cooperation among Anguillans and French and Netherlands officials in St. Maarten/St. Martin is good. Senior police officers routinely hold joint meetings to address issues and exchange drug-related information. The French authorities in St. Martin have become more active in taking measures to reduce the transfer of small quantities of drugs to Anguilla via passenger ferry.[16]

VI. Environment

70. In addition to the environmental programmes described in the 2000 working paper (see A/AC.109/2000/15, paras. 32-34), the Government of Anguilla is committed to an action plan on the environment as part of its strategic country programme agreement. The action plan (see para. 15) commits the Government, inter alia, to the following actions: promoting high-quality environmental appraisal within the planning and development process to ensure that environmental risks are integrated into development projects; developing a capacity within government and civil society to implement environmental management systems; establishing protected areas for key terrestrial and marine habitats; implementing an effective national fisheries management plan; introducing air, noise and litter pollution measures by mid-2001; developing a solid-waste collection and disposal system; and maintaining standards of water quality control. In 2002 the Government plans to proceed with the

establishment of the Fountain National Park and the implementation of the biodiversity and national parks programme, both of which will require significant capital investment and technical assistance. The Government intends to seek funding for these programmes from external sources and from non-governmental local sources during the year.

VII. Relations with international organizations/arrangements

71. In April 1987 Anguilla became the eighth member of the Eastern Caribbean Central Bank. The Territory is also a member of the Organization of Eastern Caribbean States and an associate member of the Association of Caribbean States and the Economic Commission for Latin America and the Caribbean. As a dependency of the United Kingdom, Anguilla has the status of Overseas Territory in association with the European Union. In 1999 Anguilla was granted associate membership of the Caribbean Community and Common Market.[2]

72. The Government of Anguilla cooperates directly with other Caribbean Governments and participates in regional conferences and projects organized by Governments and regional and international organizations and agencies. The first UNDP country cooperation framework for Anguilla, which was approved by the Executive Board in 1997 for the period from January 1997 to December 1999, was extended to December 2000, owing to the fact that national development priorities have not changed and therefore the component projects of the framework remain relevant (see DP/CCF/ANL/1/EXTENSION I). The Territory is a member of the Caribbean Development Bank and the University of the West Indies, and is represented at the annual meetings of the Caribbean Group for Cooperation in Economic Development, sponsored by the World Bank. Anguilla participated in the Global Conference on the Sustainable Development of Small Island Developing States in 1994 as a member of the United Kingdom delegation. On that occasion the Chief Minister stated that, because Anguilla had a tourist economy, the island had a high per capita income and as a consequence did not qualify for many United Nations aid programmes. He said that while it was true that very high wages were paid to the top 10 per cent of expatriate technical and managerial staff in the tourism and now growing financial services industries, the bulk of local workers were paid very low wages. He felt that that was unfair and that the means of assessing the needs of the Territory should be revisited.

73. As a British Overseas Territory, Anguilla's relationship with the European Union is governed by Britain's legislation and British agreements with its European partners.

VIII. Future status of the Territory

A. Position of the territorial Government

74. The constitutional review is being undertaken by the Constitutional Review Committee, set up by the territorial Government in cooperation with the administering Power and with the assistance of UNDP (see paras. 10, 16 and 17). In January 2001 Anguilla was to commence a series of town hall meetings to discuss proposed constitutional amendments and the Territory's relationship with the United Kingdom. In that same month, following the United Kingdom's incorporation of the European Convention on Human Rights, homosexuality was legalized in Anguilla.[2]

B. Position of the administering Power

75. On 8 October 2001 the representative of the United Kingdom made a statement before the Special Political and Decolonization Committee (Fourth Committee) (see A/C.4/56/SR.3) in which she welcomed the opportunity to present her country's position as an administering Power and reported on further progress made towards the modernization and development of the relationship between the United Kingdom and its overseas Territories.

76. The United Kingdom representative said that the third meeting of the Overseas Territories Consultative Committee, held in London in September 2001, had been hosted by Baroness Amos, who was appointed Foreign Office Minister for the Overseas Territories in June 2001. The Consultative Committee provided a forum for structured political dialogue and exchange of views between the elected representatives of the Overseas Territories and Her Majesty's Government. The meeting was an opportunity to continue dialogue on the management of public affairs and future development of the Overseas Territories, and it enabled

ministers and Overseas Territories' Governments to consult on matters such as the process of constitutional review and human rights issues arising from the United Kingdom's international commitments.

77. The representative of the United Kingdom said its partnership with its Overseas Territories continued to evolve and progress. On 21 June 2001 the Government had introduced to Parliament the British Overseas Territories Bill, which would grant British citizenship, with the right of abode in the United Kingdom, to citizens of 13 of the 14 British Dependent Territories, in fulfilment of a commitment made in the 1999 White Paper on the relationship between the United Kingdom and the Overseas Territories. The bill would also formally change the nomenclature from "dependent" to "overseas" territory so as to reflect more accurately the nature of the relationship. The United Kingdom and most Overseas Territories had adopted an Environment Charter on 26 September, which set out 10 guiding principles expressing the key environmental commitments that the international community had adopted. These were followed by specific commitments on the part of the United Kingdom and Overseas Territories' Governments, indicating how they would work in partnership for the benefit of the environment. It was a good example, the representative of the United Kingdom said, of how progress could be made by working together in an area of mutual interest, which was critical to the future prosperity, well-being and even survival of many of the Overseas Territories and their communities.

78. The representative of the United Kingdom pointed out that, as the record showed, for the United Kingdom the wishes of the peoples concerned, exercised in accordance with the principles set out in the Charter of the United Nations and in other international treaties, were of paramount importance. The relationship of the United Kingdom with the Territories continued to be based on the following fundamental principles: self-determination, mutual obligations, freedom for the Territories to run their affairs to the greatest degree possible, and a firm commitment from the United Kingdom to help the Territories economically and to assist them in emergencies. The representative of the United Kingdom said she was sure the Committee recognized the basic commonality between the approach of the British Government and that of the Committee.

79. Nevertheless, she stated, it was a pity that while there was so much in common in their approaches, this was not always properly reflected in all relevant resolutions, in particular those of the Special Committee. Her delegation welcomed the fact that the annual omnibus resolution stated that in the decolonization process there was "no alternative to the principle of self-determination", but regretted that the Special Committee continued to apply that principle selectively, a principle enshrined in the Charter of the United Nations and the International Covenant on Civil and Political Rights.

80. The United Kingdom, she stated, would continue to work to improve its cooperation with the Special Committee. A representative of the United Kingdom had attended the Regional Seminar held in Havana in 2001.

81. The United Kingdom welcomed the efforts begun by the Special Committee, under the constructive leadership of Peter Donigi, to pursue informal dialogue with the administering Powers with a view to the possible removal of Territories from the Committee's list. Careful preparation would be necessary before substantive progress could be expected, but the United Kingdom remained ready to cooperate with the Committee in those efforts.

C. Consideration by the United Nations

82. On 10 December 2001 the General Assembly adopted resolution 56/72 B, section II of which is specifically devoted to Anguilla.

Notes

[1] www.gov.ai/census/information.htm.

[2] *Europa World Yearbook 2001*, 42nd ed., vol. II: "United Kingdom Overseas Territories: Anguilla".

[3] Prospects for the Political and Constitutional Advancement of Anguilla: discussion paper presented at the United Nations Caribbean Regional Seminar, Havana 2001, by Phyllis Fleming-Banks.

[4] Budget address, 2002.

[5] NewsEdge, 14 January 2002.

[6] www.gov.ai/census/prelim.htm.

[7] The Economist Intelligence Unit Limited 2002.

[8] The OECD Project on Harmful Tax Practices: 2001 progress report, para. 33.

[9] www.fco.gov.uk.

[10] NewsEdge, 28 September 2001.

[11] *CIA World Factbook 2000* (www.cia.gov/cia/publications/factbook/geos/av.html).

[12] *Europa World Yearbook 2000*, 41st ed., vol. II: "United Kingdom Overseas Territories: Anguilla".

[13] NewsEdge, 6 August 2001.

[14] Foreign and Commonwealth Office, "Focus International", July 2000.

[15] *The Island Sun*, 21 December 2000.

[16] James Information Group, "Central America and the Caribbean Risk Pointers — Anguilla", 17 August 2000.

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United States Virgin Islands

Working paper prepared by the Secretariat

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I. Background information

1. The Territory of the United States Virgin Islands[1] is located in the eastern part of the Caribbean Sea, approximately 1,000 miles south-east of Miami and 45 miles east of Puerto Rico. The Territory is made up of three main islands (St. Croix, St. John and St. Thomas) and one small island (Water Island) recently transferred to the jurisdiction of the territorial Government. The capital, Charlotte Amalie, is located on St. Thomas.

2. Visited by Christopher Columbus in 1493 (along with what are now the British Virgin Islands), the islands were Danish territory from 1754 to 1917 when they were purchased by the United States of America. They were administered by the United States Navy until 1931, after which they came under the administration of the United States Department of the Interior. Currently, the Office of Insular Affairs carries out the Secretary of the Interior's responsibilities for the Territory and other insular areas. The Office of Insular Affairs Strategic Plan for 2000 to 2005 is based on two goals: assisting the Islands in developing more effective government by providing financial and technical assistance, and helping to manage Federal-island relations by promoting appropriate Federal policies.[2]

3. According to the United States Census results released in July 2001, the population of the Virgin Islands in 2000 stood at 108,612, an increase of seven per cent (6,803 persons) since the previous census was conducted in 1990. Growth rates during the same period were 6 per cent in both St. Thomas and St. Croix and 20 per cent in St. John.[3] According to press reports, the data showed that, on the more populated islands of St. Thomas and St. Croix, people had migrated from towns to rural areas owing to unrepaired hurricane damage, urban decay and the construction of low-income housing outside the town areas. The media attributed the increase on St. John Island, two thirds of which consists of National Park land, to new homes being built in the community of Coral Bay, on the east of the island.[4]

4. Immigration into the Territory has declined over the past several decades. Native Virgin Islanders were a minority in the 1980 and 1990 censuses, but were a majority again by 1995, as children of the immigrant population raised the number of native-born. Currently, those born within the United States and its territories make up 66.8 per cent of the population. The percentage of residents born outside the United States has remained stable in the past decade, from 33.9 per cent in 1995 to 33.2 per cent in 2000. Foreign immigrants are mostly from the Eastern Caribbean and the Dominican Republic, while domestic migrants come from Puerto Rico and the mainland United States. According to statistics from the Immigration and Naturalization Service, the number of illegal immigrants apprehended territory-wide grew from 202 in fiscal year 1998 to 622 in fiscal year 2001.[5]

II. Constitutional, legal and political aspects

A. General

5. The United States Virgin Islands constitute an organized, unincorporated Territory of the United States. With the adoption by the administering Power of the Organic Act of the Virgin Islands (1936) and its revision in 1954, the Territory was granted a measure of self-government over local affairs. Executive power is vested in a popularly elected Governor, who appoints, with the advice and consent of the Legislature, the heads of the executive departments.

6. Since the Organic Act of the Virgin Islands was revised by the administering Power in 1954, there have been five attempts to replace it with a locally written constitution approved by the people of the Territory that would organize the internal mechanisms of government. None of the five attempts was successful. Regarding the Territory's political status, the first and only referendum on a range of political options was conducted in 1993. However, only 27 per cent of the electorate voted and, of those, 80.3 per cent voted to retain the current status. The result was considered invalid since less than 50 per cent of the electorate had voted. In 2000, legislation was introduced in the territorial Senate to create the mechanisms for the establishment of a constitutional convention; however, the bill died when the Legislature was adjourned at the end of the year. According to media reports, in August 2001, a territorial senator again introduced a draft bill requesting the Legislature to convene a constitutional convention in 2003.[6] At the time of writing, no further action had been reported. The draft constitution emerging from the convention would have to be submitted to the Territory's electorate in a referendum and, subsequently, to the United States Congress, which has the power to amend, approve or reject it. In this connection, in May 2000, the legislative process

began in the House Resources Committee in Washington, D.C., for the passage of a proposed bill (H.R. 3999) to clarify the process for the United States Virgin Islands and Guam to adopt a local constitution. The bill would have extended the time span that Congress has to review any draft constitution submitted by these Territories from 60 days to an open-ended period and would also have confirmed that the completion of a local constitution by the territorial electorate would not preclude their right to self-determination and the modification of the present political status arrangements. However, the House Committee of the Whole never acted on the bill and, as per congressional rules, it expired.[7]

7. The judicial system includes two courts: the United States Federal District Court of the Virgin Islands, whose judges are appointed by the President of the United States with the advice and consent of its Senate; and the United States Territorial Court of the Virgin Islands, whose nine judges are appointed by the Governor. The Federal District Court has jurisdiction in civil, criminal and federal actions. In April 2001, the Virgin Islands Legislature adopted Bill number 24-0039 to petition the United States Congress to amend the Revised Organic Act of 1954 to require that the Attorney-General of the Territory be popularly elected. According to the Bill, this step "would benefit the people of the Virgin Islands by permitting the Attorney-General to prosecute cases independent of any pressures from the executive or legislative branches of Government".[8]

8. The Legislature, a unicameral body currently comprising 15 senators, is elected for a two-year term by a popular vote (see para. 9 below on legislative steps to change the number of senators). The Legislature has the power to enact such laws as are consistent with federal laws made applicable to the Territory by the United States Congress and do not impair rights guaranteed by treaties, international agreements, or rights contained in the Organic Act's Bill of Rights. Under the latter are enumerated, inter alia, rights of due process and equal protection, and freedoms of speech, assembly and religion. The Legislature may also issue bonds, levy customs duties (up to 6 per cent) and oversee executive departments. Legislation is subject to approval by the Governor, whose veto can be overridden by two thirds of the Legislature. The United States Congress retains the right to annul any act of the local legislature. The United States Virgin Islands is represented in the House of Representatives of the United States Congress by a popularly elected delegate who may vote in the committees in which he or she is a member, but not in floor votes. There is no representation in the United States Senate, nor does the Territory have the constitutional right to participate in elections for the President of the United States.

9. Regarding the number of local senators, the twenty-second Virgin Islands Legislature passed a resolution to petition the United States Congress to reduce its size. Following this, Delegate Donna Christian-Christensen introduced draft bill H.R. 2296 into Congress. Passed by Congress on 12 September 2000 and signed by the President on 4 December, the bill amended the Revised Organic Act of 1954 to provide that the number of members of the Virgin Islands Legislature and the number of such members constituting a quorum are to be determined by the laws of the United States Virgin Islands. In support of the bill, the delegate stated that it gave her constituents a greater degree of self-government by allowing them and not Congress to determine the size of the local Legislature. She added that the Territory continued to struggle with a severe fiscal crisis and that H.R. 2296 was seen by some islanders as a means of saving scarce funds by reducing the size of the Legislature. She concluded that she had drafted the bill to cede the authority to restructure the Legislature to the Virgin Islands, rather than have Congress prescribe a specific number of local senators because, in her estimation, all alternatives that could produce more accountability and reduce budgets ought to be considered, not just the reduction in numbers.[9] The question was also put to the islanders in a referendum held together with the general elections on 7 November 2000. An overwhelming majority of voters (14,949 against 2,120) requested that the Legislature be downsized, with 12,589 of the "yes" vote wanting the number of senators reduced from 15 to 9. However, when Bill number 24-0061 calling for the reduction in the number of senators was discussed in the Senate on 18 July 2001, it was defeated by 10 to 5 votes. According to media reports, the Senator who introduced the legislation stated that, despite the opposition of two thirds of his colleagues, the issue would emerge again because the wishes of the voters in the referendum must be respected.[10]

B. Recent elections and political issues

10. In January 1999, the governorship of the Territory changed hands, from Roy L. Schneider of the

Independent Citizens' Movement to Charles W. Turnbull of the Democratic Party, following elections in November 1998. Mr. Turnbull won the election with 58 per cent of the vote against the incumbent, Mr. Schneider, who obtained 40.9 per cent. The next gubernatorial elections will be held in November 2002.

11. The most recent elections were held on 7 November 2000, when voters went to the polls to elect a Delegate to Congress and the 15 senators to the twenty-fourth Legislature. Donna Christian-Christensen was re-elected Delegate to Congress. The Legislature is made up of seven Democrats, two members of the Independent Citizens' Movement and six non-party affiliate members. The next elections for Delegate and Legislature are scheduled for November 2002.

12. During the annual State of the Territory address in January 2002,[11] Governor Turnbull stated that, while the economy, along with the rest of the nation, faced new challenges in the aftermath of the events of 11 September 2001, the state of the Territory, for the third year in a row continued to improve and grow stronger. According to the Governor, despite an unacceptable rise in homicides, serious crime overall had continued to decrease, and tourism had shown remarkable resilience in the face of recession on the mainland and the great anxiety caused by terrorist attacks. In addition, the Government had made significant further progress in getting its fiscal house in order, moving towards a balanced budget and meeting its obligations to its citizens and workers. Regarding the Territory's relationship with the federal Government, during 2001 Delegate Christian-Christensen focused on economic issues, such as lifting the cap on Medicaid, extending the Rum Tax rebate and seeking measures to make up for potential losses in the Territory should tax cuts be introduced. In addition, she sought clarification on the ownership of the underwater area off St. John designated a National Monument (see para. 55).[12]

III. Budget

13. According to press reports, in January 1999, the incoming Governor said that the territorial Government bore a long-term debt of approximately $1 billion in addition to other obligations, including $66 million in outstanding vendor payments, $24 million in delayed tax refunds and $90 million owed to other funds and for unpaid debts of previous years. Four months later, the Governor announced that the treasury was $5 million short of the amount needed to pay government salaries, and that, for the first time in the Territory's history, public salaries would not be paid as scheduled. Following meetings held in Washington, D.C., with the Secretary of the Interior, the Governor appointed an economic recovery task force, composed of representatives of the territorial Government, legislature and judiciary. The head of the Task Force reported in January 2000 that the public debt in the Territory had reached an "unimaginable" $1.12 billion with the past six years, showing a government deficit. The report added that, without measures to reduce expenditure and increase revenue, the deficit would reach a figure between $80 million and $100 million annually by 2004. The report proposed measures that would produce a budget surplus of $212 million in the next five years. In fiscal year 1999, the United States' legislative appropriation for the United States Virgin Islands was $489.2 million. In 2000, the Territory received special extra funding of $5.4 million to address critical federally ordered or mandated infrastructure needs. The disbursement was made contingent upon the Territory establishing financial and accountability performance standards. The budget was agreed on in the framework of the Office of Insular Affairs' 2000-2005 Strategic Plan which, inter alia, calls for all insular governments to be implementing long-term plans to improve financial management by 2005. As a further incentive, the proposed 2001 budget for the Territory included an advance appropriation of $10 million to continue addressing critical infrastructure needs, which would not be available, however, until fiscal year 2002 and then only upon certification by the Department of the Interior that performance standards had been complied with.

14. The fiscal year 2002 budget of $551 million (up from the 2001 budget of $429 million) presented by the Legislature was signed into law by the Governor in October 2001. According to media reports, the Governor expressed concern over the "unprecedented specificity" of the line items contained in the 2002 budget and he urged the Senators to consider returning to the previous lump-sum budget format which gave departments more leverage in determining their own needs. He also warned that recent events on the mainland could have a trickle-down effect and that, should the revenue picture change, the Territory would have to spend less.[13] In his State of the Territory address of January 2002, the Governor reported that, in spite of the odds, over the last three years, the

Government had "restored fiscal discipline, earned the respect of the federal Government, developed a five-year economic recovery plan, generated record revenues, paid delinquent tax refunds and overdue vendor bills, reduced its debt, paid government-workers their long-delayed increases and laid the foundation for a broad-based recovery that can survive the uncertainties on the mainland".

15. Regarding efforts to reduce the size of the Government, the Governor reported a 20 per cent employment reduction in the executive branch since 1999 accomplished through attrition and voluntary retirements. Overall government employment, including the three branches of government and independent agencies, had been reduced by some 700 workers during 2001. The government workforce was now reported to be the smallest in 25 years. Meanwhile, there had been considerable growth in the private sector (see para. 39).

16. The Governor also stressed continuing progress in efforts to generate new sources of revenue, both at the local and federal level and to reduce the heavy burden of the Territory's accumulated debt. Owing to more effective collection efforts by the Bureau of Internal Revenue and the success of the Economic Development Authority in expanding the financial services industry and attracting other business, total tax collection had increased from $484 million in fiscal year 2000 to $518 million in fiscal year 2001. In addition, lobbying continued in Congress to achieve an extension of the rum tax rebate formula and to protect the Virgin Islands' rum industry. In October 2001, the Ways and Means Committee of the House of Representatives voted to exclude rum from the scope of a new United States trade agreement with Andean nations, thereby protecting the Islands' rum industry from new duty-free competition in mainland markets.[14] In March 2002, the President of the United States signed into law an extension of the rum tax rebate of $13.25 per proof gallon of rum for two more years. According to the office of Delegate Christensen, in recent years, the rum tax rebate has pumped nearly $75 million per year into the Territory's coffers.[15] The territorial Government has also lobbied Congress to extend federal income tax rebates to all Island taxpayers and to have the federal Government share the cost of the Earned Income Tax Credit programme, which provides relief for low-income residents. If successful, the latter would save the territorial Government some $10 million per year while speeding up benefits for needy citizens.

17. According to the Governor, major efforts had been made to face the massive debt to the federal Government inherited from previous administrations, particularly the $200 million owed to the Federal Emergency Management Agency, which had kept the territorial Government afloat in the aftermath of Hurricanes Hugo and Marilyn. Within the debt relief provisions of the Federal Credit Reform Act, the Hurricane Hugo debt had been removed from the government books in December 2001. Similar efforts were now under way to resolve the Hurricane Marilyn debt. Finally, a special effort had been made since 1999 to "revolutionize" relations with the federal Government by completing seven full financial audits, thus achieving, for the first time in history, full compliance with the standards of the Single Audit Act. That step not only protected existing sources of funding but would establish a credible foundation for seeking additional discretionary federal assistance in the coming years.

IV. Economy

A. General

18. In 2000, the gross domestic product (GDP) per capita in the Virgin Islands was estimated at $15,000. GDP per capita in mainland United States during the same year was estimated at $36,200. Tourism is the primary economic activity, accounting for more than 70 per cent of GDP. It is followed by the manufacturing sector, which consists of petroleum refining, textiles, electronics, pharmaceuticals and watch and jewellery assembly.[16]

19. With the reduction in the size of its public sector, the Government is intensifying efforts to promote new private sector investment in the Territory. In February 2001, legislation was passed to consolidate a number of smaller development bodies into the new Economic Development Authority (EDA), a semi-autonomous authority aimed at encouraging the expansion of established businesses, luring new operations to the Territory and improving accountability. Speaking at the beginning of 2002, the Governor reported that EDA had been successful in its first year in promoting tourism-related ventures and further developing the financial services industry. More recent efforts are aimed at bringing technology companies to the islands.

20. Regarding trade, the United States Virgin Islands is exempt from the Jones Act, which requires that freight moving between United States ports be carried by United States-flagged ships. The Territory benefits from other favourable trade concessions as part of its relationship with the administering Power. Nonetheless, the Territory generally runs at a trade deficit, owing to its heavy reliance on imported goods, most of which come from the mainland United States. In 1995, the Territory's imports were valued at $3,300 million, and exports at $3,036 million, according to publicly available Department of Interior figures.

B. Economic sectors

1. Agriculture, livestock and fisheries

21. Agriculture has played a small part in the Territory's economy since the decline of sugar production in the 1960s. In the 1990 census, only 1.2 per cent of the economically active population was engaged in agriculture or fishing, and by 2000, that figure had shrunk further to 0.7 per cent. As a result, the Territory imports about 90 per cent of its food, at a cost of between $200 million and $300 million per year. Development of agriculture is hindered by high production costs and water scarcity. However, incentives to promote agriculture do exist. In particular, farm land is tax exempt, farm income is taxed at a lower rate than other income and imported farm equipment is 50 per cent exempt from excise taxes. In addition, a number of local and federal programmes provide assistance for agricultural development.

22. In February 2001, the Senate held marine industry hearings in an attempt to revive the Territory's declining fisheries. Among the key issues discussed were the need to rebuild the Frederiksted Fisherman's Pier, which was wrecked by Hurricane Georges in 1998, and the importance of helping local fishermen compete with their neighbours from the British Virgin Islands. In October 2001, the Territory's Fish and Wildlife Division was awarded a $62,000 grant by the United States Department of Commerce to develop a cooperative programme to determine the monthly commercial harvest in weight and dollar value of all marine commercial fishing landed in the United States Virgin Islands.[17] In his January 2002 address, the Governor spoke of the scheduled completion during 2002 of a new fish market on St. Croix which would benefit local fishermen and vendors.

2. Manufacturing and industry

23. Manufacturing incentives are provided by a trade regime that confers unique advantages on the United States Virgin Islands. Items assembled in the Territory can be exported duty free into the United States, even if up to 70 per cent of its value consists of foreign dutiable components. Other incentives include 90 per cent exemption from local corporate income taxes for 10 to 15 years for new manufacturers. Goods manufactured for export include watches, textiles, electronics, pharmaceuticals and rum, which is responsible for 15 per cent of the Territory's export revenue.

24. Employment in manufacturing fell to 2,210 in 1997, owing primarily to the closure of two of the seven watch assembly plants in the Territory. In 2000, the United States Congress approved legislation sponsored by the United States Virgin Islands Delegate to extend federal wage credits, originally designed for the Territory's watch industry, to manufacturers of fine jewellery. According to Governor Turnbull, four mainland jewellery manufacturers relocated to St. Croix in 2000 to take advantage of this federal incentive. The new industry is expected to create several hundred jobs in the coming years.

25. The industrial sector is dominated by the Hess Oil Refinery (St. Croix), one of the largest in the Western hemisphere, which employs 2,000 workers. In 1998, the Hess Oil Corporation formed a 50 per cent joint venture with Petróleos de Venezuela to own and operate the refinery. The new corporate entity was named Hovensa L.L.C. The refinery has the capacity to process some 495,000 barrels of crude oil per day.[18] In February 2000, Hovensa announced the investment of $600 million in the construction of a new coke project (a plant that converts pitch, the least valuable portion of crude oil, into higher value products) on St. Croix. In January 2002, the Governor stated that the Public Finance Authority had authorized $63 million in private activity bonds to help finance the new coke plant, which he emphasized, was essential to keep Hovensa competitive with mainland refineries.

3. Tourism

26. The tourism sector accounts for more than 70 per cent of the gross territorial product and employs, directly and indirectly, around two thirds of the workforce. In his State of the Territory address, the Governor reported that tourism continued to be the Territory's number one

revenue generator and the key to current and future economic success. Despite the initially devastating blow of the events of 11 September 2001, the cruise ship sector had shown great resilience and still finished with a 4 per cent increase in passenger arrivals over 2000. The West Indian Company Limited reported that cruise lines were responding to passengers' demands for calls at American flag ports and forecast that during 2002, several mega ships would enter the Virgin Islands market, replacing older and smaller vessels.

27. The Governor also reported that his administration had worked hard in the aftermath of the terrorist attacks to create a recovery plan for the private sector and the airlines. By January 2002, American Airlines, Delta Air Lines and United Airlines had virtually returned to their regular flight schedules to the Islands. The Territory also expected to benefit from current low fares, competitive hotel packages and airline promotions. According to the Governor, the robustness of the hospitality industry was due to the important advantage of the islands over foreign jurisdictions for United States visitors and to the innovative and aggressive advertising campaigns carried out in 2001.

28. Efforts are also under way to promote private sector investment in new hotels and renovations. The Governor reported on several projects for St. Thomas, such as the approved $100 million Marriott Timeshare development, the planned $165 million Botany Bay development and the $80 million Carifest Theme Park project. In addition, major tourism projects have been approved for St. Croix. In January 2001, the Senate unanimously approved the rezoning of 615 acres on the island's south shore to create the $500 million Robins Bay hotel and casino complex.[19] According to the Governor, two other major tourist destinations on St. Croix are under negotiation. It is estimated that the Robins Bay complex will create about 1,000 construction jobs and employ some 2,500 employees once the first stage of the facilities is completed.[20] Following the Divi Carina Bay Hotel and its adjoining casino (the first on St. Croix), which opened in March 2000, the new projects are hailed by the media as further catalysts to revitalize the economy of St. Croix, which had been in recession since Hurricane Hugo in 1989.

C. Finance

1. Local financial services

29. According to the most recent information provided by the administering Power (see A/AC.109/2076, paras. 12 and 13), as of 1995 deposits in the eight major financial institutions operating in the Territory (Banco Popular, Bank of St. Croix, Chase Manhattan, Citibank, First Bank P.R., First Virgin Islands Federal Saving Bank, Bank of Nova Scotia and Virgin Islands Community Bank) exceeded $1.2 billion. Time deposits, primarily in non-United States banks, represented 25 per cent of the total. The banks offer a full range of personal and corporate financial services. All banks are regulated by the territorial Banking Board, headed by the Lieutenant Governor. United States banks operating in the Territory are also regulated and insured by United States law and institutions.

30. Insurance is available through agents who represent major international insurance companies. The insurance industry is regulated by the Lieutenant Governor, who serves as Insurance Commissioner. The year 2001 was marked by an ongoing controversy between the Insurance Commissioner and banking officials on the one hand and insurance companies on the other hand. According to the media, at issue are the opinion held by the Insurance Commissioner and others that the cost of insurance in the Territory is too high; the mutually accepted fact that there is a dearth of new insurers in the islands; and the insurers' views that a ban on legitimate rate increases has kept new insurance firms from doing business in the Virgin Islands. In December 2002, the controversy increased when the Commissioner imposed a six-month moratorium on companies to stop them from cancelling customers' property policies.[21] As of March 2002, the matter remained unresolved.

2. International finance

31. A report issued in June 2000 by the Organisation for Economic Cooperation and Development (OECD) included the United States Virgin Islands in a list of 35 jurisdictions that met the technical criteria for being tax havens,[22] namely: having low or no taxes; lack of effective exchange of information on the tax regime; lack of transparency in tax matters; and facilitating "ring-fencing", the establishment of foreign entities without the need for a substantive local presence.

According to press reports, the inclusion of the Territory on the list puzzled local financial authorities given that it has an established tax system, provides for the exchange of tax information and is transparent in accordance with federal and local statutes and regulations. Regarding OECD concerns about "ring-fencing", it has been pointed out that the United States Congress expressly gave the Territory authority to host "exempt companies" (foreign corporations that are exempt from federal and territorial income tax, but pay the local Government an annual franchise tax), as part of the Tax Reform Act of 1984 and the implementation agreement in place in 1987.[23] In March 2001, OECD convened meetings with local authorities to discuss the matter directly. A year later, on 13 March 2002, it was announced that OECD had removed the Territory from its list. According to an OECD statement quoted by the media, "The United States Virgin Islands largely satisfies the OECD requirements with respect to transparency and, where this is not the case, has committed to reviewing its account filing or audit requirements with the objective of ensuring that, by 31 December 2005, they meet the standards to be developed by the OECD". The Governor is quoted as reiterating that the Territory should never have been on the list in the first place: "Our programme was specifically authorized by Congress and was specifically intended to provide multinational corporations with legitimate business and tax-planning opportunities. It was not intended to facilitate tax evasion, money laundering or other illicit activities through secrecy or by discouraging cooperation with foreign tax authorities."[24]

D. Transportation and communications

32. The Territory has five major docking facilities. South Shore (St. Croix) is located near the St. Croix airport and industrial park, and handles lift-on/lift-off and roll-on/roll-off vessels. Gallows Bay (St. Croix) has a combined berthing space of 700 feet and a small roll-on/roll-off ramp. Frederiksted's (St. Croix) 5,216-foot port can berth two large cruise ships and two mini-cruise ships simultaneously and can accommodate naval submarines. Crown Bay (St. Thomas) has three cruise ship docks operated by the Virgin Islands Port Authority, a semi-autonomous government agency, as well as a 900-foot wharf that can accommodate roll-on/roll-off cargo and container and break-bulk operations. The West Indian Company bulkhead pier (St. Thomas) is privately operated, primarily for cruise ships. Capital projects under way or to be initiated within the Port Authority's 2002 budget on St. Thomas are the development of the Red Hook Marine facility, continued harbour dredging, upgrading of the Charlotte Amalie waterfront and expansion of the Crown Bay dock. On St. Croix, the Gallows Bay Dock is to be expanded, while on St. John, the long-awaited $16 million Enighed Pond cargo facility is to be built.[25]

33. The Port Authority operates two international airports, Cyril E. King Airport on St. Thomas and Henry Rohlsen Airport on St. Croix. An expansion project for St. Croix's airport currently under way includes a new terminal and control tower and the lengthening of the runway from 7,600 to 10,000 feet. According to Governor Turnbull, the $40 million terminal project is virtually complete while the expanded runway is to be finalized by July 2002. This will allow jumbo aircraft to be flown directly to St. Croix from the west coast of the United States, Canada, Europe and South America.

E. Utilities, water and sanitation

34. Electricity is thermally generated using imported fuels. The Water and Power Authority serves approximately 47,000 customers. Major generating facilities are located on St. Thomas and St. Croix, and a standby facility is located on St. John. Transmission and distribution of power is typically 13,800 volts, 3 phase, 60 hertz throughout the Territory. According to the Governor, one of the major accomplishments of his office in 2001 has been to reduce significantly a seven-year-old debt which the central Government owes the Authority for providing water and electrical power. In 2001, the Authority completed several disaster mitigation projects funded by the Federal Emergency Management Agency to ensure the supply of energy to hospitals and airports in emergency situations.

35. Owing to limited freshwater supplies, salt water is used extensively for non-domestic purposes, including firefighting and sewerage. The Water and Power Authority desalinates water and collects rainwater for domestic use. A desalination plant on St. Thomas produces 4.45 million gallons per day. Wells, particularly on St. Croix, supply the remainder of the freshwater necessary. Owing to the high cost of water, average daily consumption is about 50 gallons per person per day, about one third the United States average.

36. The Territory's waste disposal systems are in urgent need of improvement. The Governor reports that landfills are overflowing, sewage systems are antiquated, breakdowns are frequent and the Territory increasingly violates federal environmental mandates, with heavy fines. The Federal Aviation Authority has ordered the existing "Anguilla" landfill on St. Croix closed by December 2002 because of the threat that scavenging birds and dump fires cause to aviation at nearby Henry E. Rohlsen Airport. According to the Executive Director of the Port Authority, the Territory stands to lose millions of dollars in federal funds and to have the airport closed if the deadline is not met, an outcome which seems inevitable according to recent media reports.[26] Also of concern is the deficient sewage disposal system in the Territory, much of which, according to media reports, is inoperable or on the verge of collapse and frequently results in untreated waste water being released into the Caribbean Sea. The territorial Department of Public Works and the United States Environmental Protection Agency continue to strive to bring the Territory's waste disposal and treatment systems into environmental compliance. A modern waste-water treatment plant has been opened on St. John and the long-awaited Mangrove Lagoon facility is being built to replace smaller outdated plants on the east end of St. Thomas. The territorial Government's proposal to develop an integrated solid waste management facility as an alternative power and water source on St. Croix came to a standstill after the Water and Power Authority decided that the gasification technology required was not cost-effective. The Governor continues to believe that this is the most viable solution to the Territory's waste disposal situation and power needs.

V. Military issues

37. According to the most recent information provided by the administering Power (see A/AC.109/2014, para. 19), the United States Navy maintains a radar and sonar calibration station and a headquarters building for its underwater tracking facility. There are permanent recruitment centres for the armed forces and a detachment of the United States Coast Guard on St. Thomas. The Virgin Islands National Guard is headed by an adjunct general appointed by the President of the United States. In recent months, the National Guard has been deployed at the Territory's two airports to supplement security.[27] The Territory remains a port of call for United States naval vessels and those of its allies.

VI. Social conditions

A. Labour

38. Employers in the United States Virgin Islands must follow federal and territorial labour laws, such as minimum wage and hours, standards of safety and occupational health and payment of social security and unemployment insurance. The Territory has an insurance programme for the unemployed. The latest figures from 1999 show the unemployment rate to be 4.9 per cent.[28] In March 2002, the President of the United States signed into law the Job Creation and Workers Assistance Act, which includes an extension of federal unemployment benefits from 26 weeks to 39 weeks. An agreement was also signed with the United States Department of Labor to ensure that the Territory will be able to tap into federal funds for unemployment.[29]

39. In 1997, the federal and local Governments combined accounted for 13,800 jobs, approximately one third of all civilian employment in the Territory. As part of the 1999 agreement with the Department of the Interior to reverse the Territory's severe public finance problems, the government payroll was to be cut by 5 per cent per year for five years. In his January 2002 State of the Territory address, the Governor reported successful reductions in all three branches of the Government and independent agencies (see para. 15) and stated that the relative size of the government workforce had dropped from almost one third of total employment to less than 27 per cent in 2002. According to the Governor, pro-business policies had allowed the restructuring to take place without an adverse effect on total employment. It is reported that, largely through the growth in construction and manufacturing on St. Croix, private sector employment in the Territory increased by more than 1,300 jobs over the year 2000, generating an increase in overall employment from 46,400 jobs to 47,500 jobs.

40. In addition, the Governor reported that, during 2001, the Office of Collective Bargaining had worked to resolve a number of serious labour disputes, the majority of which were the result of "years of impulsive spending and poor financial planning". The

Office had successfully implemented 13 public sector contracts, affecting 4,200 government employees and retirees, as well as new agreements with nurses, assistant attorneys general, teachers and the Police Benevolent Association.

B. Education

41. Education is compulsory and free for all children between 5 and a half and 16 years of age. The territorial Department of Education administers 32 schools on St. Thomas, 14 on St. Croix and 2 on St. John. According to the administering Power, maintenance of the physical facilities is poor and vandalism is a constant problem. The 2000 Census data issued in February 2002 reflected school enrolment of children three years and older to total 32,119. Of those, 52.5 per cent attended elementary school, 23.2 per cent attended High School and 9 per cent attended college or graduate school. The Census also reported that 60.6 per cent of the population aged 25 and over are high school graduates while 16 per cent have bachelor's degrees or higher.

42. The University of the Virgin Islands has campuses on St. Thomas and St. Croix and provides courses in business administration, the humanities, social sciences and teacher education, and occupational courses in accounting, business management, secretarial administration, nursing, police science and administration. In January 2002, the territorial Senate passed legislation to create the University's Research and Technology Park on St. Croix. Supporters of the initiative claim it will bring in research dollars to help the depressed economy of the island and provide opportunities for young islanders to pursue careers in the Territory.[30]

43. Regarding academic standards in the Territory's public schools, fourth grade scores in basic subjects are lower than the national average according to nationwide tests conducted by the National Center for Education Statistics. The media has reported that according to the Nation's Report Card for Mathematics 2000 and the Nation's Report Card for Science 2000 issued by the Center (the results of nationwide math and science testing of students in grades 4 and 8), at the 4th grade level (the only level for which Virgin Islands public school results were reported), out of 45 states and other jurisdictions, the Territory ranked next to lowest, its scores higher only than those of American Samoa.[31] The Territory also ranked below the national average in the Nation's Report Cards for Reading and Writing, conducted separately in 1998.[32]

44. In his State of the Territory address, in January 2002, the Governor stated that education was the number one priority of his administration. He expressed concern over the fact that three of the Territory's public high schools may lose their accreditation with the Middle States Association of Colleges and Schools. In that regard, the Education Commissioner and school principals met with the Association in February 2002 to appeal the announced loss of accreditation and to commit to making improvements in four areas of concern, namely, site-based management, student attendance rates, teacher attendance rates and the building of an adequate pool of substitute teachers. A final decision on the matter is expected by 1 May 2002.[33] More broadly, the Territory's Department of Education is focusing on meeting the requirements of the federal education authorities regarding financial management, hiring practices and procurement practices in order to retain the approximately $26 million in federal education funds received each year.[34]

45. In spite of the difficulties listed above, in his annual address, the Governor also listed many accomplishments in the area of education during 2001. Among them were the successful recruitment of new teachers (80 per cent of them graduates of the University of the Virgin Islands), the establishment of a Master's Degree programme in school psychology, the launching of a virtual high school to allow students to take courses on-line and the reintroduction of a gifted and talented programme for grades 4 through 6. In addition, successful negotiations between the Department of Education and the American Federation of Teachers had led to two contracts for salary increases in 2001 and much progress had been made in upgrading facilities and school premises. Finally, the Governor stressed that the recently passed nationwide "No Child is Left Behind Act" would substantially increase federal assistance to the Territories and authorize the appointment of a special coordinator to assist in educational reforms

46. At the time of writing, the Public Education Reform Act of 2002 was still under discussion in the territorial Legislature. Sponsored by two senators, it proposes to transfer the management of the Territory's public school system from the Department of

Education to a "revamped" nine-member publicly elected school board. According to the media, the Education Commissioner has questioned the usefulness of a new structure.[35]

C. Public health

47. The Roy L. Schneider Hospital on St. Thomas offers general service and has 169 beds. The Governor Juan F. Luis Hospital on St. Croix has 120 beds. There is also a 16-bed private hospital on St. Croix. While overall responsibility for health centres is held by the Department of Health, legislation enacted in 2000 created semi-autonomous administration for the major hospitals. Members of the territorial Senate Committee on Health and Hospitals met with hospital administrators in February 2001 prior to Senate hearings on the matter and reported that the first year of semi-autonomy had had very positive results. According to media reports, in July 2001, the Governor Juan F. Luis Hospital on St. Croix received high marks and preliminary accreditation from the Joint Commission on Accreditation of Healthcare Organizations, an independent organization that evaluates health-care centres throughout the United States. Accreditation by the Joint Commission allows hospitals to remain eligible for Medicare funds and attracts grant-giving agencies, donors and highly qualified professionals. Meanwhile, a mock survey carried out in the Roy L. Schneider Hospital on St. Thomas led consultants and the hospital management to decide that many improvements remained to be made before it could apply for inspection by the Joint Commission.[36]

48. In January 2002, Governor Turnbull reported that the Virgin Islands Department of Health had addressed several public health issues during 2001, including the nationwide threat of anthrax contamination. The threat of bioterrorism notwithstanding, the human immunodeficiency virus/acquired immunodeficiency syndrome (HIV/AIDS) continued to be the most serious public health problem. In 1999, for the first time, the Territory was the recipient of grants from the federal Department of Health and Human Services to improve access to support services and medication for HIV/AIDS. A total of 470 AIDS cases had been reported in the Territory by June 2000. According to VICARE, an AIDS outreach organization in the Territory, the latest statistics from the end of 2000 showed the Virgin Islands to have the fifth highest rate of new AIDS cases in the country and one of the highest rates of AIDS among women in the United States.[37] In that respect, the Governor reported that the Department of Health's STD/HIV/TB programme (for sexually transmitted diseases, HIV/AIDS and tuberculosis) had received new funding and hired new staff trained in infectious diseases. That programme, funded under the only federal grant that does not require local matching, is directed towards services for children, youth, women and families impacted by HIV.

49. The Governor also reported that progress continued to be made in regular health programmes. Using funds from the $21 million tobacco settlement bond issue, construction would soon begin on a new seven-bed cardiac unit at the Governor Juan F. Luis Hospital and a modern cancer treatment centre at the Roy L. Schneider Hospital. Those new facilities would enable many seriously ill patients to be treated at home rather than off the islands. Other capital improvement projects under way were the renovation of the Elda Schultenbrandt Mental Health Facility, repairs to the Charles Harwood Complex on St. Croix and the Morris F. de Castro Clinic on St. John, and renovations to the Division of Vital Statistics at the Old Municipal Hospital. In addition, during 2001, the Emergency Services had acquired two new ambulances.

D. Human rights and related issues

50. More than 3,000 black farmers from the United States Virgin Islands submitted a class action lawsuit against the United States Department of Agriculture in 1997, alleging that it discriminated against black farmers in its disbursement of loans. In January 1999, the Department settled the suit in favour of the farmers, agreeing to pay $50,000 to individual farmers and excusing their debts to the Department. In January 2000, residents of St. Croix joined a broad class action suit against the Department, alleging systematic discriminatory practices by its Rural Development Office against Blacks and Hispanics who tried to participate in its housing loans and grants programmes. Once again, the Department settled the suit by agreeing to pay each participant $50,000 and to have any debt written off. In addition, each would have $12,500 deposited in his/her name with the United States Internal Revenue Service to be applied to any tax liability on the $50,000. Since islanders pay taxes to

the Virgin Islands Revenue Bureau instead of the Internal Revenue Service, the federal Government held up full payments. In April 2001, Delegate Christensen addressed the Department of Justice to expedite payments. According to the media, Christensen estimated that the move would net the Virgin Islands treasury some $325,000 to $625,000 in tax revenue.[38]

E. Crime and crime prevention

51. High crime rates are a matter of concern in the United States Virgin Islands. According to the Federal Bureau of Investigation's Uniform Crime Report, in 2001 the Islands recorded 30 homicides, giving the territory a per capita homicide rate which is five times the national average. The Government has acknowledged that high crime rates undermine efforts to increase tourism and improve the economy. In 2001, the Senate passed legislation toughening the penalties for felons caught carrying illegal firearms and local prosecutors joined forces with the United States Attorney-General's Office to implement a new initiative called "Project Exile" to remove illegal guns from the community. In November 2001, the Governor named a new police chief and gave him a mandate to cut violent crime by 20 per cent. The new chief is reportedly striving to improve police-community relations and urging residents to come forward with information on gang violence and illegal arms.[39] In his State of the Territory address, in January 2002, the Governor reported that efforts were being made to improve the staffing and equipment of the Police Department by training new recruits, re-hiring retired police officers, acquiring new vehicles and persuading Congress to earmark special appropriations for the purchase of crime-fighting technology. He expressed dismay over the increase in violent crime against cruise-ship visitors and announced the creation of a special Crime Task Force to patrol beaches and main towns and to coordinate information activities with the taxi associations. The Governor also expressed outrage over the continuing high rate of child abuse, rape and domestic violence, which he described as a social cancer which must be addressed by the community at large.

52. An Adult Correctional Facility is located on St. Croix. In March 1999, a United States federal court ordered the local Government to relieve overcrowding at local prisons. At that time, the prison population in the Territory was 308. In addition, 192 inmates were incarcerated in off-island prisons to reduce overcrowding. In February 2001, a $26 million expansion of the Golden Grove Prison was completed, allowing for the return of 146 inmates who had been housed on the United States mainland. However, a number of hardened criminals have remained in the mainland prisons following an agreement between the territorial Government and the Commonwealth of Virginia. Meanwhile, the Governor has reported that progress is being made in cancelling a $10 million debt owed to the Federal Bureau of Prisons for housing Virgin Islands prisoners.

53. According to government and police authorities, the transit of illegal drugs through the Territory is a root cause of much of the violent crime. The local media reports United States Drug Enforcement Agency estimates, according to which 30 to 40 per cent of the cocaine destined for North America is moved through the Caribbean.[40] In 1994, the Office of National Drug Control Policy designated the United States Virgin Islands, along with Puerto Rico, a high intensity drug trafficking area. In August 2001, the Virgin Islands Attorney-General assumed the Chairmanship of the High Intensity Drug Trafficking Area Task Force, heading a 20-member Executive Board made up of local and federal law enforcement agencies from the Territory and Puerto Rico. The Task Force aims to reduce drug and gun smuggling and sales, money laundering and related violent crime.

VII. Environment

A. Protection of natural resources

54. According to the Environmental Protection Agency's region 2 state of the environment report (1998), the ecosystem of Caribbean islands faces threats not only from natural disasters, such as hurricanes, but also from human impacts, such as improperly treated sewage, extensive land conversion and deforestation, over-fishing and tourism-related activities. Conversely, protecting the ecosystems is important if economy-generating tourism is to be maintained. The Caribbean Environmental Protection Division of the Agency has an office on St. Thomas through which it works with both federal and local agencies to address chronic problems, such as ecosystem loss and improper landfill spaces, as well as the catastrophic effects of hurricanes. Disposal of solid

waste and sewage pose serious environmental problems in the United States Virgin Islands (see para. 36). In addition, reefs such as those near Salt River Bay in St. Croix depend on mangroves and sea grass colonies along the coast for protection against runoff. The Territory receives funding for environmental monitoring through the United States Commerce Department's National Oceanic and Atmospheric Administration and through the Environmental Protection Agency. In 2001, the University of the Virgin Islands completed its Virgin Islands Data Atlas, a model to evaluate small tropical ecosystems around the world.

55. In January 2001, days before he left office, former President Clinton signed a proclamation creating the new Virgin Islands Coral Reef National Monument in submerged lands off St. John. The designation furthered the protection of the Virgin Islands National Park created in 1956 and expanded in 1962.[41] The Monument covers 12,000 acres off St. John and also increases Buck Island Reef National Monument off St. Croix from 900 acres to some 18,000 acres. According to press reports, the measure has been controversial in the Territory, primarily among commercial fishermen who claim their livelihood will be affected by the ban on fishing and anchoring in the area. The National Park Service has two years to prepare a management plan for Buck Island and three years for the St. John monument. Meanwhile, the Virgin Islands Delegate to Congress continues to press for the General Accounting Office in Washington to issue a legal opinion on the ownership of the submerged monument lands.[42]

B. Disaster preparedness

56. The United States Virgin Islands faces recurrent hurricanes and flooding in addition to being located within an earthquake risk zone. The Federal Emergency Management Agency provides programmes of mitigation, preparedness, response and recovery in the Territory through the Virgin Islands Territorial Emergency Management Agency. Nonetheless, the costs of the repairs of combined damages to homes, businesses, utilities and commercial buildings caused by Hurricanes Hugo (1989), Marilyn (1995), Georges (1998) and Lenny (1999) continue to cause fiscal and financial problems in the Territory, despite federal assistance through grants and loans and close to $500 million distributed by the Federal Emergency Management Agency between 1995 and 2000. The territorial Government has resolved the problem of the federal loans covering Hurricane Hugo and is working on similar measures for loans on Hurricane Marilyn (see para. 17). In June 2000, the United States Senate Government Operations Committee approved a bill providing for the United States Virgin Islands to join the nation's Emergency Management Assistance Compact. This gives each member access to assistance from other member states or territories in the event of disasters, in addition to the assistance provided by the Federal Emergency Management Agency. During the 2001 season, the Virgin Islands were spared any hurricanes or tropical storms.[43]

VIII. Future status of the Territory

57. No significant action on the political status of the Territory has been taken since a referendum was held in 1993. In that ballot, only 27.4 per cent of registered voters voted on the question (of which 80.3 per cent supported the existing status, 14.2 per cent voted for full integration with the United States and 4.8 per cent voted for an end to United States sovereignty). The result was considered invalid as less than the requisite 50 per cent of the electorate voted.

A. Position of the territorial Government

58. Carlyle Corbin, on behalf of the Government of the United States Virgin Islands, spoke before the ninth meeting of the Special Committee on the Situation with regard to the Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples on 2 July 2001.[44] Speaking on the agenda item under consideration (Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples by the specialized agencies), he said that, of some 14 specialized agencies reviewed in 1998, seven of them had been found to have revised their procedures to increase the flexibility of their criteria for the participation of Non-Self-Governing Territories in their activities. None of the remaining seven had done so since. Some specialized agencies of the Economic and Social Council had said they did not consider it part of their mandate to implement the Declaration. It was clear that the Special Committee's repeated recommendations, made over several decades, had not been carried out. Modifications must be made

and a mechanism developed to ensure that the agencies carried out their activities in implementing the Declaration. Their seats at the Special Committee meetings remained chronically empty.

59. Mr. Corbin said that changes had been made allowing Non-Self-Governing Territories that were associate members of regional commissions to take part in world conferences, beginning with the United Nations Conference on Environment and Development (1992) through the 1999 special session on small island developing States. While grateful to the Caribbean and Pacific States, to the Group of 77 developing countries, to China, and to others for supporting the inclusion of Non-Self-Governing Territories in world conferences, he said that the extent of their actual participation, with the notable exception of the recent special session on HIV/AIDS, was inconsistent. No information was provided to them on the preparatory processes, which could be of immense assistance. The only available information was obtained from reports of the Secretary-General. In conclusion, he stressed that, in order to achieve their full measure of self-government as well as to develop economically and socially, the Non-Self-Governing Territories must have full access to the wide range of activities of the United Nations system.

B. Position of the administering Power

60. In a statement made to the 82nd meeting of the General Assembly on 10 December 2001,[45] a representative of the United States said that his country was fully supportive when countries chose independence and was proud to work with them on an equal and sovereign basis. For Territories that did not choose independence, however, the United States also supported the right of people in those Territories to a full measure of self-government, if that was what they chose. The United States reaffirmed its respect for their rights, which included the options of integration and free association. Given the vast variety of people, places and political circumstances that existed in the world, the United States believed that a single standard of decolonization should not be applied to every Territory and they called on all Member States to respect the choices made by the residents of Non-Self-Governing Territories.

61. In that regard, he said, the United States could not support the draft resolution on the implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples. The draft resolution unfairly applied a single and narrow standard for decolonization. Indeed, for the United States, the term "non-self-governing" was of questionable applicability to those who were able to establish their own constitution, who elected their own public officers, who had representation in Washington and who chose their own economic path. Moreover, he said, the United States could not agree with the implication in the draft resolution that the mere presence of military activities and bases in the Non-Self-Governing Territories was harmful to the rights and interests of the people of those Territories. The United States could not support language that would infringe on the sovereign right of the United States Government to plan its military activities in accordance with its national security interests.

C. Action by the General Assembly

62. On 10 December 2001, the General Assembly adopted, without a vote, resolution 56/72, section XI of which concerns the United States Virgin Islands. In the resolution, the Assembly, inter alia, requested the administering Power, bearing in mind the views of the people of the Territory ascertained through a democratic process, to keep the Secretary-General informed of the wishes and aspirations of the people regarding their future political status; to continue to assist the territorial Government in achieving its political, economic and social goals; and to facilitate the participation of the Territory, as appropriate, in various organizations, in particular the Organization of Eastern Caribbean States, the Caribbean Community and the Association of Caribbean States. The Assembly expressed concern that the Territory, which was already heavily indebted, had had to borrow $21 million from a commercial bank to carry out its year 2000 computer compliance programme, and called for the United Nations year 2000 programme to be made available to the Non-Self-Governing Territories. It noted that the general elections held in the Territory in November 1998 had resulted in an orderly transfer of power. The Assembly expressed concern that the territorial Government was facing severe fiscal problems, which had resulted in an accumulated debt of more than one billion United States dollars, welcomed the measures being taken by the newly elected territorial Government in addressing the crisis, including the adoption of a five-year operating and strategic financial plan and called upon the administering Power to

provide every assistance required to alleviate the fiscal crisis, including the provision of appropriate debt relief and loans. Finally, the Assembly noted that the 1994 report of the Territory's Commission on Status and Federal Relations had concluded that, owing to the insufficient level of voter participation, the results of the 1993 referendum had been declared null and void.

Notes

[1] The information contained in the present working paper was derived from information transmitted to the Secretary-General by the Government of the United States of America as well as from published sources.

[2] United States Department of the Interior, Office of Insular Affairs, *Strategic Plan 2000-2005*.

[3] United States Census Bureau, Press release, 3 July 2001.

[4] *St. Thomas Source*, 2 July 2001.

[5] *St. John Source*, 28 January 2002.

[6] *Virgin Islands Daily News*, 28 August 2001.

[7] Information from the Office of the United States Virgin Islands Delegate to Congress.

[8] Accessed at www.senate.gov.vi/Bill.

[9] Congressional records, accessed at http://thomas.loc.gov.

[10] *St. Thomas Source*, 20 July 2002.

[11] Accessed at www.gov.vi/state.

[12] Office of Congresswoman Donna Christian-Christensen, Highlights for the Hill, spring 2001.

[13] *St. Thomas Source*, 10 and 11 October 2000.

[14] Ibid., 6 October 2001.

[15] Ibid., 7 March 2002.

[16] United States Central Intelligence Agency, The World Factbook.

[17] *St. Thomas Source*, 3 October 2001.

[18] Accessed at www.hess.com/hovensa.

[19] Accessed at www.wsta.com, 31 January 2002.

[20] *St. Croix Source*, 26 January 2002.

[21] *St. Thomas Source*, 23 December 2001.

[22] Organisation for Economic Cooperation and Development, Progress in Identifying and Eliminating Harmful Tax Practices, June 2000.

[23] *St. Thomas Source*, 26 June 2000.

[24] *Virgin Islands Daily News*, 13 March 2002.

[25] *St. Thomas Source*, 19 September 2001.

[26] *Virgin Islands Daily News*, 5 March 2002.

[27] *St. Thomas Source*, 2 October 2001.

[28] United States Central Intelligence Agency, The World Factbook.

[29] *Virgin Islands Daily News*, 11 March 2002.

[30] *St. Thomas Source*, 1 February 2002.

[31] Ibid., 29 November 2001.

[32] Accessed at www.nces.ed.gov/naep3/states/profile.

[33] *Virgin Islands Daily News*, 5 March 2002.

[34] *St. Thomas Source*, 7 February 2002.

[35] Ibid., 5 February 2002.

[36] *Virgin Islands Daily News*, 6 July 2001.

[37] Ibid., 11 March 2002.

[38] *St. Thomas Source*, 30 April 2001.

[39] Ibid., 3 January 2002.

[40] Ibid., 9 August 2001.

[41] White House Press Office, 17 January 2001.

[42] *St. Thomas Source*, 20 November 2001.

[43] Ibid.

[44] See A/AC.109/2001/SR.9.

[45] A/56/PV.82.